

Message Text

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ACTION ARA-10

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AMCONSUL CALI

AMCONSUL BARRANQUILLA

AMCONSUL MEDELLIN

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E.O. 11652: N/A

TAGS: ECON, ELAB, PINT, CO

SUBJ: THE WEEK IN COLOMBIA

1. SUMMARY. AUGUST PRICE RISES, WHILE DOWN FROM JULY, INDICATED THAT THE GOC WOULD MISS BY A WIDE MARGIN ITS GOAL OF HOLDING 1976 INCREASES TO 15 PERCENT. THE NATIONAL ASSOCIATION OF INDUSTRIALISTS (ANDI) CALLED FOR GOVERNMENT MEASURES TO STIMULATE EXPORTS AND ENCOURAGE INVESTMENT. A STRIKE OF SOCIAL SECURITY DOCTORS RAISED THE POSSIBILITY OF LABOR VIOLENCE. THE LIBERAL PARTY BEGAN TO MOVE TOWARD A UNIFICATION OF ITS WARRING FACTIONS. THE RELEASE OF A STATE DEPARTMENT REPORT CRITICAL OF AID ASSISTANCE TO COLOMBIA REPORTEDLY CAUSED SOME INITIAL GOC IRRITATION WHICH NOW SEEMS TO HAVE SUBSIDED. END SUMMARY.

2. INFLATION. THE CONSUMER PRICE INDEX INCREASED 1.4 PERCENT IN AUGUST, DOWN FROM THE PREVIOUSMONTH'S 2.6 PERCENT INCREASE, BUT WHICH BROUGHT THE PRICE CHANGE FOR THE YEAR
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TO 17.6 PERCENT. CONTINUATION OF THIS RATE WOULD LEAD TO

A 24 PERCENT PRICE INCREASE THROUGH DECEMBER, BUT THE MONTHLY INCREASES TRADITIONALLY ARE SMALLER DURING THE LATER MONTHS OF THE YEAR SO THAT A 20-22 PERCENT ANNUAL RATE IS MORE PROBABLE.

3. ANDI REQUESTS CHANGES IN ECONOMIC POLICY. MEETING IN CALI THIS WEEK, ANDI REQUESTED THE GOVERNMENT TO ADOPT A NUMBER OF POLICY CHANGES IN ORDER TO IMPROVE THE CLIMATE FOR INVESTMENT AND EXPORTS. AMONG OTHER THINGS, ANDI PROPOSED A STIMULUS TO EXPORTS BY RESURRECTING THE EXPORT TAX CERTIFICATES (CAT) OR SIMILAR MEASURES, LOW COST FINANCING FOR INDUSTRIAL DEVELOPMENT, EXPANSION OF TARIFF CUTS FOR IMPORTED RAW MATERIALS AND EQUIPMENT, IMPROVED TAX INCENTIVES FOR INDUSTRY AND, AS ANTI-INFLATIONARY MEASURES, A REDUCTION IN THE RATE OF DEVALUATION, THE CREATION OF 180-DAY PESO CERTIFICATES FOR USE AS PARTIAL PAYMENT TO EXPORTERS AND THE ESTABLISHMENT OF A PARALLEL FREE MARKET FOR DOLLARS RECEIVED THROUGH SERVICES AND TRANSFERS. WHILE SOME OF THE PROPOSALS ARE NEW AND MERIT STUDY BY THE GOC OTHERS, SUCH AS REINSTITUTION OF THE CAT FOR MOST EXPORTS, STAND LITTLE CHANCE OF IMPLEMENTATION.

4. SOCIAL SECURITY DOCTORS STRIKE SPREADS. SOCIAL SECURITY (ICSS) DOCTORS WENT ON STRIKE SEPTEMBER 6 PROTESTING MINISTER OF LABOR DE CROVO'S RESTRICTION OF THEIR UNION RIGHTS (BOGOTA 9005). THE GOC SHOWED A STRONG HAND DECLARING THE STRIKE ILLEGAL AND FIRING STRIKE LEADERS. THE UNION OF COLOMBIAN WORKERS (UTC) AND THE COLOMBIAN WORKERS CONFEDERATION (CTC) REITERATED THEIR OPPOSITION TO THE STRIKE AND ONE UTC OFFICIAL WHO IS SECRETARY GENERAL OF THE CUNDINAMARCA ICSS OFFICE, ANNOUNCED HE WOULD FIRE STRIKE PARTICIPANTS. THE STRIKE SPREAD DURING THE WEEK TO INCLUDE DOCTORS AND OTHER GOVERNMENT AND PRIVATE ENTITIES AND RECEIVED THE ENDORSEMENT PRINCIPALLY OF COMMUNIST-LED UNIONS. THE GOC, MEANWHILE, ANNOUNCED IT WOULD REFUSE TO NEGOTIATE WITH THE DOCTORS AS LONG AS THEY REMAINED ON STRIKE, AND WOULD NOT IN ANY CASE RESCIND THE EARLIER DECISION. THERE WAS REAL CONCERN, HOWEVER, THAT SHOULD THE STRIKE LAST MUCH LONGER, VIOLENCE MIGHT RESULT, BRINGING AN END TO THE RELATIVELY CALM ATMOSPHERE THAT HAS PREVAILED IN COLOMBIA OVER THE LAST SEVERAL MONTHS.

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5. LIBERAL PARTY SEEKS UNITY. LIBERAL PARTY SUPPORTERS WERE ALMOST EUPHORIC AS THE SEVERAL FACTIONS CONTINUED TO SEEK A MEANS OF UNITING BEHIND PRESIDENT LOPEZ' PROPOSAL FOR A CONSTITUTIONAL ASSEMBLY (CA). SINCE THE RESIGNATION SOME WEEKS AGO OF THE PARTY'S NATIONAL DIRECTORATE, WHICH ITSELF WAS INOPERATIVE DUE TO FACTIONALISM, THE PARTY HAS NOT HAD EVEN A NOMINAL EXECUTIVE BODY. FORMER AMBASSADOR TO THE U.S. JULIO CESAR TURBAY AGREED TO MEET WITH OTHER PARTY LEADERS, AS PROPOSED

LAST WEEK BY MEMBERS OF THE SO-CALLED FIRST FORCE (BOGOTA 9005). RETURNING TO THE SENATE, HE RECOMMENDED THAT LIBERAL CONGRESSMEN MEET TO ESTABLISH A PARTY POSITION ON THE CA ISSUE, AND ENDORSED THAT PORTION OF THE PROPOSAL CALLING FOR SEPARATE PRESIDENTIAL AND CONGRESSIONAL ELECTIONS. TURBAY THUS DIFFERED SOMEWHAT WITH THE FIRST FORCE PROPOSAL FOR A DIALOGUE, BUT LIBERALS GENERALLY VIEWED HIS RESPONSE FAVORABLY. THERE IS VISIABLE PROGRESS TOWARD A REUNIFICATION OF THE COMPETING PARTY FACTIONS BUT EACH IS SEEKING UNIFICATION ONTERMS MOT FAVORABLE TO ITSELF, WITH AN EYE TO THE 1978 PRESIDENTIAL CANDIDACY. CONSIDERABLE MANEUVERING LIES AHEAD BEFORE UNIFICATION BECOMES A FACT.

6. REACTIONS TO INSPECTOR GENERAL REPORT ON AID. THE BOGOTA PRESS OF SEP 8 CARRIED UPI STORIES ON A DEPARTMENT REPORT RELEASED BY CONGRESSMAN ASPIN, WHICH CRITICIZED AID ASSISTANCE TO COLOMBIA. A FOREIGN MINISTRY OFFICIAL TOLD AN EMBOFF PRIVATELY THAT PRESIDENT LOPEZ HAD CALLED FOREIGN MINSTER LIEVANO ABOUT THE STORIES AND THAT LIEVANO WAS INCENSED THAT (1) THE DEPARTMENT HAD RELEASED THE REPORT AND (2) THE REPORT CLAIMED THAT COLOMBIA HAD RECEIVED BUDGET SUPPORT ASSISTANCE. THE EMBOFF POINTED OUT TO THE OFFICIAL THAT (1) THECONGRESSMAN, NOT THE DEPARTMENT, RELEASED THE REPORT AND (2) AID ASSISTANCE TO COLOMBIA IN THE PAST HAD, IN FACT, BEEN OF THE BUDGET SUPPORT TYPE. THE OFFICIAL REACTON, CARRIED IN THE SEPTEMBER 9 PRESS, WAS MORE MEASURED AND INFORMAL. A STATEMENT BY FINANCE MINISTER BOTERO ACKNOWLEDGED THAT SUCH ASSISTANCE HAD BEEN SUPPLIED IN THE PAST AND EXPLAINED THAT THE LOPEZ GOVERNMENT'S POLICIES HAD BEEN DESIGNED TO ELIMINATE THE NEED FOR SUCH ASSIS-TANCE. THE MISSION ANTICIPATES NO FURTHER FALL-OUT ON THIS MATTER.
SANCHEZ

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